ECFA

10 ESSENTIALS OF

BUDGETING FOR MINISTRIES

NONPROFIT ESSENTIALS SERIES

Introduction

Introduction

A budget is a plan for allocating available resources—it is a strategic way to dispense money to areas of ministry.

One thing is clear—there is no perfect way to do budgeting. Yes, nearly all budgets involve electronic spreadsheets or sophisticated software. But with the 10 essentials that follow, there is no mention of spreadsheets or software—because budgeting is so much more.

The budgeting process includes setting goals, assigning priorities to them, developing a plan for achieving them, operating the plan, evaluating the results, and re-planning.

Developing a budget and getting it approved is just the beginning. After the budget has been approved, it must be administered and used.

A budget sets priorities for every activity of a ministry. It reflects your values to ensure that you spend money on the things you believe are most important. It is both a compass and a map to help you achieve ministry goals in a way that is fiscally responsible.

Budgets are a result of reasoned decisions, arrived at by faith. The budget requires research, prayer, and decision-making.

The budget should be a guide and not a master of the ministry's fate. Budgets influence the actions of the people who are responsible for spending funds. Budgets provide a rail or a curb for influencing financial activity. Budgets do not "control" people—budgets guide people, but people control budgets.

Budgets help you evaluate how you are doing. When you are making progress as planned, you can rejoice. When you are getting behind compared to the budget, you can make adjustments.

Budget choices will guide your actions so that you will not be faced with daily decisions of whether or not to make certain expenditures. "A good budget process means that 11 acts of war can be eliminated because one annual battle is substituted for 12 monthly skirmishes."[1]

Budgeting includes evaluating past spending habits and deciding what you are going to do in the future. You must make decisions and establish priorities for all of the possible activities your ministry may undertake during the coming year. These very acts give you more freedom in your daily work, as well as help you see God's blessings and guiding hand.

[1] Michael E. Batts and Richard Hammar, *Church Finances*, Christianity Today, 12.

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Every facet of ministry activity must be considered when developing your budget—the people, the facilities, the programs—everything your organization does or plans to do.

Some programs cost very little in staff costs but require a great deal of volunteer effort. Others require little in staff costs, but have high, recurring non-personnel costs. Still others require significant staff funding. A budget causes a ministry to decide whether to fully fund each program, partially fund each program, or fully fund some programs and partially fund others.

Big data provides helpful context. For example, what portion of the budget relates to personnel costs? How does that compare to similar organizations? What is the cost per conference attendee, or how much does a missionary need to raise to get to the mission field? There is no "one-size-fits-all" budget, only a budget that is right for a particular ministry.

Lastly, and perhaps most importantly, biblical texts provide insight for mapping our budgeting categories. Galatians is a particularly helpful New Testament letter for budget managers because it was one of Paul's first letters written at a time when the early church was trying to figure out financial-related needs (c. 48-49 AD). In Galatians, budget managers learn to be sure to care for the poor (Galatians 2:8-10); to minister to the needs of those who teach (Galatians 6:6); and to work to have programs that bless the congregation as well as all people in the larger community (Galatians 6:10).

For nearly two millennia, these areas have been basic components of ministry budgets, but building and administrating these budgets is a complex process. That's why this eBook aims to assist leaders in modern-day ministries to budget efficiently and effectively.

1

Evaluate your ministry’s stewardship culture

Evaluate your ministry's stewardship culture

Every ministry has a culture of stewardship. Some elements of the culture may be written, but much of it is unwritten.

The answers to the following questions will send strong signals about the culture of stewardship in your ministry:

1. What markers demonstrate that the budget planning process and administration of the overall budget are important to the health of the ministry?
2. What activities ensure that the staff respects—rather than runs rough shod over—the budget planning and administration process?
3. How must the budgeting process reflect the culture of the ministry? What is the role of the senior leader, the role of the CFO, and others in the ministry? What measures ensure margin for feedback and flexibility?
4. Whether the budgeting process flows top-down or bottom-up, what processes ensure that the staff gives input and engages in discussion?
5. What controls are in place to ensure that no one person commands the budget process?

Understanding the culture and discerning whether it is subject to change will save staff considerable frustration. If a particular stewardship culture is chiseled in stone for a ministry, few cultural adjustments may be possible until the pendulum swings.

The principle of the ministry pendulum is not a well understood concept. To the novice observer, every ministry has the potential to experience the swing of the pendulum at any time. In reality, opportunities for substantial change only occur when the pendulum oscillates in a positive direction. Here are three situations:

- **The status quo.** For many ministries, the stewardship culture pendulum is in a resting, equilibrium position. The pendulum has not moved in a long time. And it doesn't appear to be moving any time soon. One might describe the situation as inactive tedium or a state of inertia.

  Why is the stewardship culture resting? This is probably because the ministry is stuck in the status quo and is satisfied to routinely grind through the same process year after year.

- **Negative stewardship culture.** A negative swing of the stewardship culture pendulum may occur when the ministry has seen a multi-year decline of revenues. Or, it can occur when the individuals who control stewardship processes are resistant to change. The pendulum will remain in a negative position until significant changes in the ministry's financial position occur or the composition of the board and/or staff changes.
- **Positive stewardship culture.** Even if the stewardship culture pendulum finally oscillates in a positive direction, there is a limited time for the ministry to act. This is because the pendulum will eventually return to a resting position. Or worse, the pendulum will swing to a negative position where change is almost hopeless.

The stewardship culture pendulum can have a positive or a negative impact on a ministry. A negative swing of the pendulum is not a pretty picture. Creating a positive pendulum swing often requires new members on the board, new staff, or a fresh perspective by staff and leadership.

When the stewardship culture pendulum is moving positively, good changes are possible. In fact, this is generally the only time that good changes can be made. Taking advantage of a positive swing in the culture pendulum is essential because the opportunities it presents will not always exist.

For a biblical perspective on stewardship culture, if you read the letters to the seven churches in Revelation 2-3, you find that they were all over the spectrum from "on fire for God" to "lukewarm" to "on fire for all the wrong things." If you think your stewardship culture is off track or needs a boost of inspiration, perhaps read those two chapters before starting your budgeting process and take take some time to consider what Christ might say to your ministry in a letter. Do this to discern how the Spirit may desire to shape your stewardship culture in the days and years to come.

2

Determine your optimal year-end

Determine your optimal year-end

The accounting year for some ministries is a calendar year and for others, it is a fiscal year.

Many ministries see a significant uptick, and in some instances, a windfall, of giving during December. If this is true, the ministry will often benefit from a fiscal year-end—giving the ministry an opportunity to promote giving at both calendar and fiscal year-end.

A calendar year-end can be a real nail-biter in December. If giving is down throughout the calendar year, it often requires pulling back on spending. If the giving goals are reached before December 31, it is a time to celebrate. But, spending may have been unnecessarily curtailed simply because of the uncertainty caused by the calendar year-end for budget purposes.

A fiscal year produces two year-ends for a ministry:

1. **One year-end is the calendar year-end for charitable contribution deduction purposes.** This is important for givers desiring to make a gift in December so it will be included for charitable gift deduction purposes.

2. **The other year-end is the fiscal year-end.** If a ministry uses a fiscal year-end, it is usually best for December to be near the beginning of the fiscal year. For many ministries, December can represent the highest gift revenue of any month. With December early in the fiscal year, if revenues drop, there is time to make corresponding adjustments in spending through the fiscal year.

   Example: September 1, October 1, November 1, or December 1 is often an optimal beginning of a fiscal year. With a September 1 to December 1 start, the largest gift revenues will likely be received during the first few months of the fiscal year. This helps the ministry identify shortfalls very early in the fiscal year with time to make adjustments before the end of the fiscal year. A September 1 start of the fiscal period may create the least conflict with budget planning for key ministry seasons like the school year or conference season.

A ministry can change from a calendar year to fiscal year by budgeting for a short year or a long year to make the conversion. For example, if a ministry is moving from a December 31 calendar year-end to a April 30 fiscal year-end, it can either have a 16-month budget for the conversion year or a four-month year, then move back to a 12-month year.

3

Establish a strategic plan

Establish a strategic plan

It is important to have a strategic plan for the new budget year. Perhaps the strategic plan is developed during a leadership retreat or other planning session.

Changing the strategic plan after the budgeting process begins will create duplication of effort and frustration for the staff.

The difference between projected revenue and people and facilities costs is what is available for other ministry expenses. Too often, there is not enough left to fully fund all of the remaining programs. Therefore, the strategic plan established at the beginning of the budgeting process will determine how budget allocations are made to some program areas and perhaps less to others.

The strategic plan should consider the areas of ministry that God is blessing with growth and those that are not flourishing. Look for opportunities to provide more resources to ministries where the Holy Spirit is providing open doors. Based on this discernment, a ministry may have an emphasis on a particular geographic region or people group for the year or engaging with Millennials, for example.

Strategic planning that positions the Spirit, rather than people, to lead the process often happens on discernment retreats. To plan such a retreat, leadership teams reserve an extended period of time, sometimes even a couple of days, for prayer and fasting following the example of early church leaders in texts like Acts 13:1-3. This helps the team set aside personal desires as a group to seek God's direction for the ministry. Such retreats generally include a combination of activities such as Scripture reading, silence, sharing, and prayer. These are spiritual practices that help leadership teams discern strategic direction, which becomes vital when it comes time for budgeting.

For strategic planning resources, consider the following:

- patersoncenter.com
- boardsource.org/fundamental-topics-of-nonprofit-board-service/strategic-planning/

4

Lay the budgeting ground rules

Lay the budgeting ground rules

> *But everything should be done*
> *in a fitting and orderly way.*
>
> 1 Corinthians 14:40

While the budgeting ground rules will vary from one ministry to another, it is important to make several decisions before fully launching into the budgeting process:

1. **Decide whether mid-year budget adjustments will be considered.** When revenues spike or take an unexpected and sharp dip, the two primary options are to:

    a. adjust the revenue and expense budget mid-year or

    b. leave the budget unadjusted.

    Few ministries make formal mid-year budget adjustments. This is not to say that ministries do not make spending adjustments when, for example, revenue projections are not being met. Spending adjustments are not the same as adjustments to the budget.

2. **Determine whether multiple budgets should be prepared.** If multiple budgets are prepared, the primary budget takes the most effort to produce. In the next budget, leadership identifies costs that would be made if the actual results were x% lower than expected. The third budget identifies those activities to be funded if actual results were x% higher than budgeted. Multiple budgets provide a ministry with enhanced flexibility to move to an optional budget when needed.

3. **Determine when the budgeting process will begin for the next year and the timeline for the process.** At a minimum, the budgeting process should begin early enough prior to the new year to allow adequate input from each ministry area and time for analysis of giving and spending trends. Here is a budgeting axiom: The larger the ministry, the earlier the annual budgeting process should begin.

4. **Determine the budget period.** Budgets almost always coincide with the accounting period—either fiscal or calendar accounting period. In other words, if the ministry uses a calendar accounting period, the budget will usually be for the same time period.

A few ministries use an annual budget but adjust it on a quarterly rolling basis. A quarterly rolling budget:

a. allows for real-time future stewardship planning based on the most recent three-month experience,

b. may be an important approach when a ministry's revenue is significantly rising or falling, and

c. requires more budget preparation time.

5. **Determine if the ministry will limit the percentage of certain expenses to total expenses.** While most ministries are keenly aware of the percentage of staff costs to the overall operating budget, they generally do not use the percentage to control budget decisions. Some ministries do establish an upper limit for the percentage of compensation and fringe benefits in relation to total operational expenses.

   Another factor that is often managed during the budget process is overhead. Some ministries have a target that the total administration and fundraising expenses do not exceed a certain percentage of total expenses. This may be the result of trying to achieve a certain status with nonprofit "watchdogs" or because of a board mandate.

   Whatever the reason, it is important to understand the implications of such decisions. An arbitrary limit on the overhead percentage could result in a loss in fundraising momentum or competent administrative staffing.

6. **Determine how the budgeting philosophy will impact setting the "big number" for the next year.** Will the ministry approach the new budget year from a very conservative or very aggressive posture or somewhere in between? For example, a ministry without debt may be able to take a more aggressive budgeting philosophy than a ministry with significant debt. A ministry with significant debt will likely be more cautious in its budgeting philosophy because of the need to protect reserves for mortgage payments.

   It sounds simplistic, but fiscal integrity is based on this principle: Don't spend more than you take in. Ministries rarely plan to spend more than they take in, but it happens when:

   a. revenue projections are too aggressive and the projections are not met;

   b. there is a major reduction in revenue (for example, one or more major givers pass away or a large event is canceled because of a natural disaster), even with reasonable revenue projections;

c. there is a significant over-run on expenses; or

d. restricted gifts are spent in the current year that were received in a prior year, and those expenses exceed restricted gifts received in the current year.

7. **Decide whether to include or exclude depreciation for budgeting purposes.** Does your ministry record depreciation? If not, depreciation is excluded from the budget by default.

   If a ministry records depreciation, it may be included in the operating budget even though it is a non-cash item. Or a ministry may exclude depreciation from the budget perhaps because the removal of this major noncash item makes budgeting simpler.

   Whether or not depreciation is included in the budget, it is essential to set aside funds for capital expenditures. HVAC units wear out, parking lots develop cracks, roofs leak, technology equipment becomes outdated, and plumbing breaks down.

   Most ministries include depreciation in the budget as a way to set aside funds for capital expenditures and raise funds for special purposes such a campus expansion or major refreshing of facilities. However, the depreciation amount may or may not be adequate for routine capital expenditures each year.

   On balance, it generally makes sense to include depreciation in the budget. It may be necessary to set aside an additional amount each year in addition to the depreciation amount based on the needs for new equipment and capital replacements.

5

Calculate your "Big Number"

Calculate your "Big Number"

The "Big Number" for your budget is the total of budgeted expenses for next year. It is often called the "Big Number" because determining this one number is often the starting point in the budgeting process.

The "Big Number" is determined in a variety of ways:

- Some ministries arrive at the "Big Number" by applying a formula, setting the number at 95%, 100% or 105%, for example, of the prior year budgeted expenses.
- Other ministries do not use a formula but arrive at the "Big Number" based on giving trends, economic indicators, demographics and more.

Regardless of how a ministry determines the "Big Number," the ultimate goal of the budgeting process is to arrive at the "Big Number" for next year's budget—the total of the expense budget.

Some ministries calculate the "Big Number" early in the budgeting process and others a little later. But it is important to determine when the governing board will set the "big" budget number. It is also important to determine how to obtain "buy-in" of the budget with the leaders of each program area.

The "Big Number" for projected expenses may not be the same as the projected total revenue number. This is because planned additions to "reserves" may be budgeted as an excess of revenue over expenses. Therefore, the total revenue projection will often be higher than the total expense budget.

For example, consider this budget data:

Projected revenue	$1,650,000
"Big Number" projected expenses	1,500,000
Projected addition to operational reserves	$150,000

Or, consider this example:

Projected revenue	$2,400,000
"Big Number" projected expenses	2,600,000
Projected use of restricted gifts raised in a prior year	$200,000

6

Determine key drivers of projected revenue

Determine key drivers of projected revenue

Revenue projections should be as close to what will actually happen as possible. There are so many variables to consider—so, include all of the variables and then probably round down.

Some of the key revenue projection variables include:

- Overall giving patterns over the last few years, with very large gifts removed from the data
- Specific giving patterns over the last few years including:
    - Trends in giving by major givers, with very large gifts removed from the data
    - Trends in giving by new givers
    - Trends in giving of more modest-size gifts
    - Trends in giving lost by those who have stopped giving in the last three months
    - Trends in online giving. Are improvements necessary to facilitate online giving with user-friendly tools?
- Estimates of how much expansion is expected in the existing giving-base of the ministry. Most ministries can only depend on a certain level of giving growth by people who are already giving.
- Estimates of how much giving expansion can be anticipated from new givers
- Economic patterns, including job growth of donor geographic regions
- National economic patterns, including the stock market (overall giving trends in the U.S. follow the Dow Jones Industrial Average)

Many ministries also have non-contribution revenue elements that must be projected. This may include tuition, sales, rental income, facility usage fees, investment income, and more.

7

Recognize which expenses are subject to budget allocation

Recognize which expenses are subject to budget allocation

The overall budget can seem like a large amount of money, but then you realize that a major portion, perhaps most, of the budget is locked in for next year. It usually comes down to expenses for people, facilities, and then everything else.

Here are the budget components that typically offer little allocation flexibility:

- Compensation and fringe benefits
- Facility expenses: mortgage and loan payments, rent, insurance, and utilities
- Capital replacements
- Grant commitments to specific projects or ministry fields

When ministries are preparing budgets and viewing the budget holistically, it is also a good time to look at how to cut costs, especially for a cost category of cost that makes up a large percentage of the budget or is increasing. Budget managers can easily identify these trends and determine a plan to reduce costs during the year. For example, it may be time to meet with vendors who supply IT, HVAC, Internet, and telephone services. Are there ways to reduce insurance premiums? Perhaps, consider proposals from other brokers. Generate a list from the accounts payable system of the total payments made to each vendor. Contact the vendors receiving the highest aggregate dollars to review their service level and rates for the coming year.

When a ministry lets its people and facility expenses get out of line, there are less funds left for direct program expenses. So, let's say a ministry is spending 35% of its operating budget on personnel and 35% on facility expenses, that only leaves 30% of the budget to allocate for other expenses. Leadership must determine if that is reasonable.

The small portion of the budget that is subject to annual allocation becomes the critical issue when revenues take a downturn. In these instances, cuts in the people budget are usually required.

8

Factor in the need for reserves

Factor in the need for reserves

Ministries have seasons—seasons of growth, seasons of decline, and seasons of the status quo. There are usually predictors of these seasons. However, an unexpected change in the ministry's top leader can cause dramatic short-term shifts in revenue. The budgeting process should give thought to the financial seasons and the unexpected changes.

Building appropriate operating reserves includes:

- Rounding down on projected revenues and rounding up on estimated expenses.
- Keeping people and facility costs within reasonable limits.
- Providing margin in the people budget to cover the cost of hiring and firing. People come and go. Most ministries hire too quickly and fire too slowly. It costs money to hire staff—interview expenses, moving expenses, and more. It costs money when people leave—paying leave time or severance.
- Building flexibility—ministries should build money into the budget to cover unanticipated expenses, as well as unexpected opportunities for new or expanded programs.

Revenue downturns can occur when one or more leaders depart on short notice. It is important for a ministry to be prepared for various outcomes.

Ministry budgeting primarily focuses on the revenue and expenses reflected on the Statement of Activities (Income Statement), but the impact on the Statement of Financial Position (Balance Sheet) should also be considered. When "yellow flags" are flying for a ministry, these flags will appear on the Statement of Activities (Income Statement), but the "red flags" will appear on the Statement of Financial Position (Balance Sheet). This is where cash balances and liabilities are shown.

When a ministry is constructing its budget, it is important to consider adequate funding for restricted fund balances, mortgage reserves, capital replacement reserves, and operating reserves.

The key for every ministry is to build a reasonable store of reserves that is neither excessive nor inadequate. Each ministry must determine this balance.

For more information on cash reserves, see ECFA's eBook, *9 Essentials of Ministry Cash Reserves*.

9

Plan for significant projects

Plan for significant projects

A new ministry project typically doesn't "just happen." It requires time and resources to take an idea from concept to implementation. Sometimes that can happen very quickly and sometimes it is over an extended period of time.

As part of the strategic plan, each ministry should annually consider what potential new projects could be coming. The role this plays with budgeting is significant. A ministry could handle those opportunities in a number of different ways such as:

- Specifically identifying potential projects and budgeting expenses and potential revenue, if any is expected
- Budgeting an amount annually for growth opportunities, allowing for projects that haven't been identified but that may be presented before the next budget cycle
- Identifying the opportunity and researching the expected costs but waiting until the next budget to fund those ideas that are determined to warrant pursuing

By determining the approach your ministry will take, it will help to make sure your budget is as accurate and practical as possible from the start.

10

Devise a plan for budget administration

Devise a plan for budget administration

Keep your eye on the “Big Number”—total expenses. There can be many pluses and minuses in the detailed expense to budget data, but staying within the overall expense budget is a priority for nearly every ministry.

Here are some key questions for the ministry to answer:

- Who is the person who has the ultimate responsibility for budget administration? Sound budget administration always includes accountability.
- Once the “Big Number” is established for each program area, does the leader of that area have the responsibility to establish and administer the detailed budget for that area? How far can a program area exceed its total budget on a year-to-date basis?
- Is the ministry generating adequate reports to support the budget administration process? Examples are:
    - Three-to-four year historical reports, by department and account code, which show the fluctuations from one year to the next. This report also shows trends so that it is easier to budget for the coming year based on these trends.
    - A rolling 12-month report is a great way for the budget manager to view the actual expenses for the past year and estimate how the expenses will occur by month in the coming year. This report starts with the actual costs for each month of the fiscal year by department and account code and fills in the remaining months of the fiscal year with prior year actual expenses.
    - At what point do budget exceptions go back to the governing board for approval?

It is not only important to determine the annual budget for expenditures, but a budget must also be allocated accurately by month throughout the year. Too often annual costs are spread evenly throughout the year rendering the monthly budget comparison inaccurate and sometimes useless.

Provide each ministry leader with monthly reports for their area of responsibility and sufficient freedom to administer the funds in their area.

> *Go to the ant, you sluggard; consider its ways and be wise!*
> *It has no commander, no overseer or ruler,*
> *yet it stores its provisions in summer and gathers its food at harvest.*
>
> Proverbs 6:6–8

Now what?

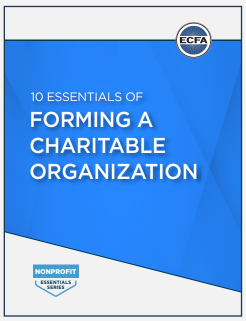
Action Steps to Excellence

Now What? Action Steps to Excellence

- Evaluate your ministry's stewardship culture. Are you in a resting season or in a season of change? Approach your budget process accordingly.
- Determine whether a fiscal year or a calendar year is in the best interest of your ministry.
- Establish a strategic plan for budgeting by evaluating the opportunities God has provided and setting appropriate priorities.
- Lay the ground rules for budgeting, including issues such as mid-year adjustments, multiple budgets, budget timeline and accounting period, certain expense percentages, budgeting philosophy, and depreciation.
- Calculate the "Big Number" for expenses based on current trends, economic indicators and other factors specific to your ministry.
- Consider key drivers that may be of significance when determining projected revenue assumptions.
- Recognize which portions of the budget are subject to annual reallocation and which are not.
- Account for the need to build reasonable reserves and determine how the building of reserves will work into your budget process.
- Plan for significant projects, and decide how to account for this component in your budget process.
- Devise a plan to structure the ongoing process of budgetary compliance and administration among the various ministries and leaders.

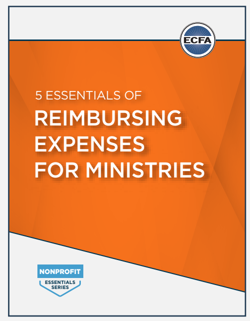
Resources

ECFAPress eBooks in the Nonprofit Series



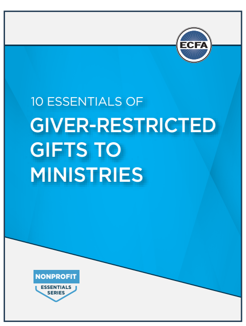
10 Essentials of Forming a Charitable Organization

Tens of thousands of new nonprofits are formed each year. Of those applying for tax-exempt status with the IRS, about three out of four applications are approved. When forming a new nonprofit, there are some fundamental issues to consider before starting the process. This resource provides an easy-to-read guide to the ten fundamental issues related to starting a new nonprofit organization.



5 Essentials of Reimbursing Expenses for Ministries

How a ministry handles the payment of business expenses incurred by staff speaks volumes about the integrity of the organization. Adequate substantiation is the starting point to qualify business expense reimbursements for tax-free treatment. This resource covers the steps to maximize stewardship for both the ministry and staff.

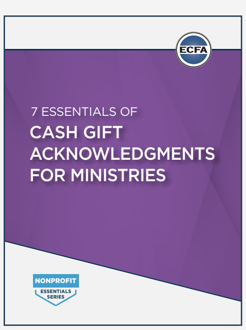


10 Essentials of Giver-Restricted Gifts to Ministries

Givers often make gifts to ministries for specific purposes and many of these gifts are in response to resource-raising opportunities shared by the ministry. These gifts, often called "restricted" or "designated," must be expended consistently with giver intent. This resource outlines the way ministries can handle giver-restricted gifts with integrity.

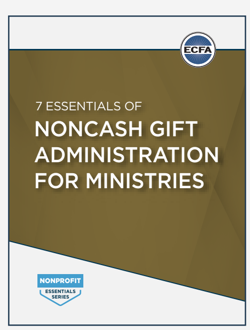
9 Essentials of Fringe Benefits for Ministries

Fringe benefits are taxable and must be included in the recipient's taxable pay except for those the law specifically excludes. Therefore, it is important for ministries to design fringe benefit plans to model stewardship for the organization and structure fringe benefit plans to allow employees to maximize compensation. This resource will help you understand how to effectively use fringe benefits.



7 Essentials of Cash Gift Acknowledgments for Ministries

It is a privilege for ministries to express appreciation to givers for their generosity. Thanking givers for their contributions seems simple. But it is often not so. The complexity comes because U.S. tax law only allows charitable deductions for certain gifts, and charitable gift acknowledgements must meet strict substantiation requirements. This resource guides a ministry through these challenging issues.

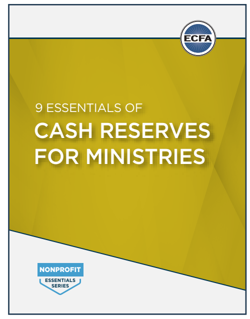


7 Essentials of Noncash Gift Administration for Ministries

Most gifts to ministries are in an electronic form with some additional gifts coming in the form of checks and currency. Noncash gifts—gifts of stock, real estate, other property, plus gifts of services—are often very helpful to fulfill a ministry's mission. Most of these gifts are tax-deductible, but some are not. This resource is helpful in addressing accounting and charitable gift receipting of noncash gifts.

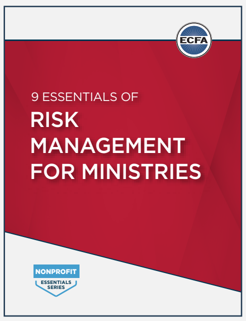
7 Essentials of Excellence in Related-Party Transactions for Ministries

Conflicts of interest situations are common with churches—when a person who is responsible for promoting ministry interests is involved at the same time, in a competing personal interest. A ministry should only enter into related-party transactions if strict guidelines are met. Even then, the risk of misperceptions may cause ministry leaders to avoid related-party transactions.



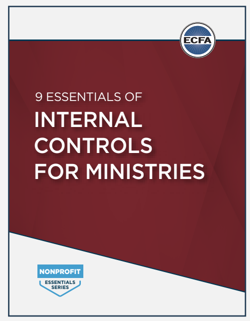
9 Essentials of Cash Reserves for Ministries

Adequate cash reserves are necessary for a ministry to pay its obligations on time in spite of fluctuations in monthly revenue. Still, developing and maintaining appropriate cash reserves is often one of the most overlooked and misunderstood issues for a ministry. This resource provides an overview of the different types of reserves and how a ministry may achieve them.



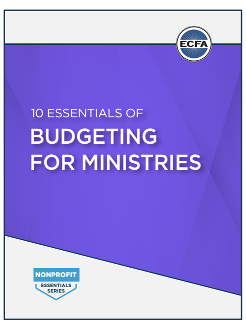
10 Essentials of Risk Management for Ministries

While Matthew 6 tells us not to worry about tomorrow, that is not a free pass to avoid planning or carefully considering the stewardship responsibilities that have been entrusted to us. Risks may have significant reputational and financial impacts. This resource will help your ministry assess risks, determine the priority of addressing the risks, and implement steps to mitigate the risks.



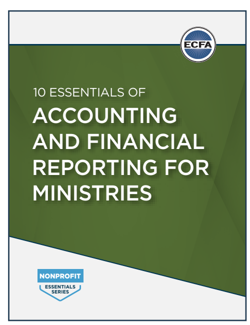
10 Essentials of Internal Controls for Ministries

Internal controls are the procedures and practices implemented to help ministries achieve their mission. They promote efficiency, reduce the risk of financial loss, help ensure financial reports are accurate, and compliance with laws and regulations. This resource helps ministries find an appropriate balance between effective controls and operational effectiveness.



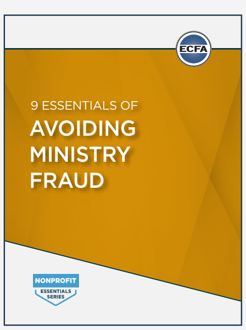
10 Essentials of Budgeting for Ministries

Preparing and utilizing budgets for a ministry is not as easy as it might seem. There may be several types of budgets: operating, cash, and capital. Budgets provide the guardrails to build cash reserves and keep expenses within certain limits, and assure there is adequate cash to pay operating, mortgage, and capital expenses. This resource provides the keys to maximize the benefits from ministry budgets.



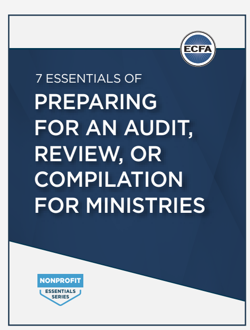
10 Essentials of Accounting and Financial Reporting for Ministries

The accounting for ministry financial resources is the basis for accurately documenting revenue and expense. A sound accounting system, provides the data to determine if a ministry is on track in comparison to the budget. It is also important to provide the appropriate financial reporting to the right audience. This resource covers the basics for optimizing the ministry accounting system and providing meaningful reporting.



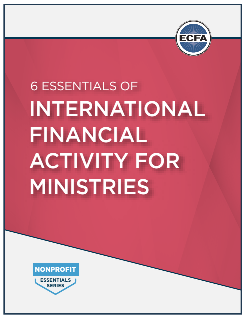
9 Essentials of Avoiding Ministry Fraud

Fraud and misuse of ministry resources can create sensational news and cause a diminished witness for Jesus Christ. While it is almost impossible to eliminate all fraud, ministries should find a reasonable balance between preventive efforts and risks. This resource helps ministries understand how to identify fraud risks and implement fraud prevention.



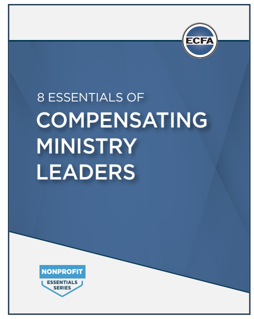
7 Essentials of Preparing for an Audit, Review, or Compilation for Ministries

Though the process can be intimidating, there are many ways to maximize the benefits of an audit. Independent reporting offers assurance to donors and in some cases, identifies weaknesses that may otherwise go undetected. Determine what level of CPA engagement is right for your ministry and prepare with confidence.



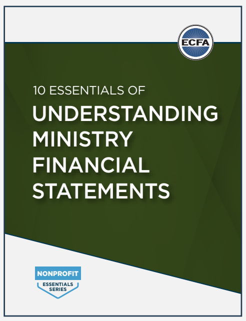
6 Essentials of International Financial Activity for Ministies

A ministry that sends funds internationally incurs significant legal and compliance requirements. The church must retain control and discretion over the use of the funds just as much as if the funds were expended in the U.S. This resource covers the special rules for screening and vetting international grant recipients, reporting when a ministry has a financial interest or signatory authority over certain financial accounts, and carries significant cash in or out of the U.S.



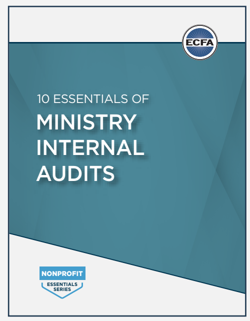
8 Essentials of Compensating Ministry Leaders

Setting the compensation of ministry leaders should meet high standards that will enhance our Christian witness. These standards include utilizing comparability data to ensure reasonable compensation, approving compensation independently of the person whose compensation is being set, and properly documenting compensation, including fringe benefits. This resource covers all of this and much more.



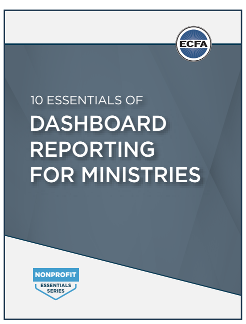
Understanding Ministry Financial Statements

Ministry financial statements consist of a lot of numbers—probably hundreds of numbers or more of numbers. Some numbers or combinations of numbers are much more important than other numbers. So which numbers are the key ones? How can a ministry board discern the key financial data—positive and less than positive? This resource provides many of the answers you need to understand ministry financial statements.



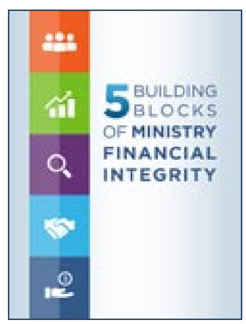
10 Essentials of Ministry Internal Audits

Internal audits are very meaningful to a ministry whether or not an external CPA audit is performed. Internal audits are often performed by a board committee, or non-staff members with accounting expertise. Improvements in internal controls and accounting procedures is often a result of this process. And, in some instances, fraud or the misuse of ministry funds may be identified and/or prevented.



10 Essentials of Dashboard Reporting for Ministries

Dashboards are really nothing more than user-friendly tools for displaying performance measures. What is working well? What went wrong? How can the ministry improve and further fulfill its mission? Dashboards are not only a powerful tool for staff to communicate important information to the board, but also for alerting staff to internal or external changes that could affect the way programs are administered.



5 Building Blocks of Ministry Financial Integrity

When it comes to building a ministry's financial integrity, many leaders simply don't know where to start. Some think that establishing a strong financial foundation is too difficult, or perhaps only possible for large ministries. The good news is building financial integrity is not as complicated as some might think. It is all about properly adding one building block at a time.

Now in publication for three decades, the *Church and Nonprofit Tax & Financial Guide* and the *Minister's Tax & Financial Guide* are two of the most trusted tax and financial reference guides for leaders of churches and other religious nonprofit organizations. These companion resources written by ECFA staff Dan Busby and Michael Martin are designed to provide up-to-date information in an easy-to-understand format on key issues affecting churches and nonprofits and the ministers serving them.

To order these helpful resources, visit *ECFA.org*

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The **Knowledge Center** contains hundreds of documents on ministry finance, governance, fundraising, and more. In addition, check out the ECFA website for special ministry webinars, newsletters, and other practical learning opportunities.

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More Information

- *Church and Nonprofit Tax & Financial Guide* by Dan Busby and Michael Martin, revised annually

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